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THE Demand and Price SITUATION

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CONTENTS

SUMMARY

Demand for farm products continues to grow stronger as overall business activity expands. The BAE index of prices received by farmers in mid-December was up 4 percent from the previous month, with average prices of all major groups of farm commodities except cotton advancing. From June to December the index rose 16 percent. Farm costs, however, continued to increase and the index of prices paid by farmers including interest, taxes and wage rates rose to a record high of 265 (1910-14=100), about 1 percent above the previous month and 4 percent above June.

At the wholesale level, prices of industrial commodities also have continued upward under pressure of strong demand, anticipations of restricted supplies of many materials for civilian uses, and rising costs. In late December, wholesale prices of industrial commodities averaged 11 percent above their pre-Korea level.

The Economic Stabilization Agency has initiated action to stabilize prices and wages. On December 16, it ordered the rollback of new passenger-car prices to December 1 levels. This order was followed three days later by a request for observance of voluntary price ceilings by all business and industry. In most instances, such ceilings would pertain to levels approximating those of December 1. Wage rates in the automobile industry have also been stabilized until March 1, 1951.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1949 Year	1949 Nov.	1950 Aug.	1950 Sept.	1950 Oct.	1950 Nov.
Industrial production 1/							
Total	1935-39=100	176	173	209	211	217	215
All manufactures	do.	183	179	218	220	226	225
Durable goods	do.	201	181	247	251	262	260
Nondurable goods	do.	168	177	195	194	196	195
Minerals	do.	134	141	159	164	166	162
Construction activity 1/							
Contracts, total	1935-39=100	368	462	582	559	521	507
Contracts, residential	do.	471	627	887	814	721	667
Wholesale prices 2/							
All commodities	1926=100	155	152	166	170	169	172
All commodities except farm and food	do.	147	150	156	159	162	164
Farm products	do.	166	157	178	180	178	184
Food	do.	162	159	175	177	172	175
Prices received and paid by farmers 3/							
Prices received, all products	1910-14=100	249	237	267	272	268	276
Prices paid, interest, taxes and wage rates	do.	250	245	258	261	261	263
Parity ratio	do.	100	97	103	104	103	105
Consumers' price 2/ 4/							
Total	1935-39=100	169	169	173	174	175	176
Food	do.	202	201	209	208	209	210
Nonfood	do.	151	150	153	155	155	156
Income							
Nonagricultural payments 5/	Bil. dol.	188.2	187.6	207.3	211.2	211.8	
Income of industrial workers 3/	1935-39=100	325	313	392	397	406	
Factory pay rolls 2/	do.	346	334	420	429	443	
Weekly earnings of factory workers 2/							
All manufacturing	Dollars	54.94	54.43	60.28	60.68	61.99	62.06
Durable goods	do.	58.03	56.82	64.25	65.09	66.39	66.29
Nondurable goods	do.	51.41	52.07	55.69	55.52	56.66	56.80
Employment							
Total civilian 6/	Millions	58.7	59.5	62.4	61.2	61.8	61.3
Nonagricultural 6/	do.	50.7	51.6	54.2	53.4	53.3	53.7
Agricultural 6/	do.	8.0	7.9	8.2	7.8	8.5	7.6
Government finance (Federal) 7/							
Income, cash operating	Mil. dol.	3,448	2,965	3,524	4,865		
Outgo, cash operating	Mil. dol.	3,554	3,426	3,009	3,199		
Net cash operating income or outgo	Mil. dol.	-106	-461	+514	+1,666		

Annual data for the years 1929-49 appear on page 19 of the March 1950 issue of The Demand and Price Situation. Sources: 1/ Federal Reserve Board, construction activity converted to 1935-39 base. 2/ U. S. Department of Labor, Bureau of Labor Statistics. 3/ U. S. Department of Agriculture, Bureau of Agricultural Economics, to convert prices received and prices paid interest, taxes and wage rates to the 1935-39 base, multiply by .93110 and .79872 respectively. 4/ Consumers' price index for moderate-income families in large cities. 5/ U. S. Department of Commerce revised figures, seasonally adjusted at annual rates. 6/ U. S. Department of Commerce, Bureau of the Census. 7/ U. S. Department of Treasury. Data for 1949 are on average monthly basis.

High levels of industrial activity, employment and income reflect the strong demand for goods and services. Although retail sales have tapered off from the "scare buying" levels of July and August, they are running well above levels of a year earlier. Demand by business is still expanding and is expected to continue strong. Business outlays on new plant and equipment during the first quarter of 1951 are expected to exceed those of any previous first quarter on record. For the entire year 1951 business is planning to increase its outlays 21 percent above 1950. Allowing for the rise in costs of capital goods in 1950, the volume of outlays is currently anticipated at 17 percent above actual expenditures in 1950. However, in view of the tight materials and manpower situation which will result from increased defense expenditures, there is some question whether this expansion will be realized in 1951.

The suspension of ECA aid to the United Kingdom is not expected to reduce materially United States agricultural exports to that country. The marked improvement in the United Kingdom's financial position and her continued need for cotton and linters, bread grains and tobacco are expected to maintain U.K. imports of U. S. agricultural commodities near recent levels.

Commodity Highlights

Prices for most classes of meat animals and most meats are expected to rise this winter. Average prices for fluid milk are likely to decline less than seasonally early in 1951. Average prices received by farms for corn and grain sorghum in mid-December were close to the support levels and some further advances are expected later in the marketing year. Prices near levels of a year ago for apples and pears are in prospect for February. Prices received by growers for grapefruit this winter are likely to average considerably below those of early 1950. Grower prices for many commercial truck crops produced for fresh market are likely to be moderately higher this winter than last. Total demand for commercially canned and frozen vegetables will be substantially stronger in 1951 than in 1950.

OUTPUT AND EMPLOYMENT

Industrial output in November was maintained near the record postwar high of the previous month. The Federal Reserve Board's index of industrial production was 215 (1935-39=100), about 1 percent below the peak reached in October, and 24 percent above November 1949. Preliminary data on rates of output in several basic industries in early December indicate that total industrial production in that month was maintained at the November level.

Despite further gains registered by industries turning out producers' equipment, the rate of output in all durable goods industries dropped slightly to 260, slightly less than 1 percent below October, but 44 percent higher than in November 1949. The slight drop in output from the October level largely resulted from declines in the automobile and steel industries. Motor vehicle production was down substantially as many producers shifted to the production of new models; shortages of some materials were also a factor in the decline. The decline in steel output from the record rate in October was due to severe weather conditions in the Middle West at the end of November, which forced some plants to temporarily reduce operations. The steel industry operated at an average of 96.8 percent of capacity in November, compared with the record

of 102.3 percent in October. For the first eleven months of 1950 output of ingots and castings was estimated at 88.3 million tons, 26 percent above the same period in 1949. Operations during December are expected to result in a new record annual output of about 96 million tons, compared with the previous high of 89.6 million in 1944. Operations in most other major durable goods industries were virtually unchanged from the preceding month.

Production of nondurable goods continued near the record level of October with most major nondurable goods groups registering only slight changes from the previous month. The index of nondurable goods production in November was 195, only fractionally below October, but 10 percent above November 1949.

Output of minerals declined in November as a result of a 10 percent drop in coal production. Production of crude petroleum and metals was unchanged from the previous month. The index of total production of minerals was 162 in November, 2 percent below October but 15 percent greater than in November a year earlier.

The value of all new construction declined in November to 2.5 billion dollars, 8 percent below October, but 23 percent greater than in November a year earlier. Expenditures on private construction were off 7 percent from the previous month but 26 percent above November 1949. Private residential construction activity continued to decline from the peak summer levels, registering a greater-than-seasonal decline of 10 percent from October. Despite the October-November decline, however, the value of new private dwelling construction was still 36 percent higher than in November last year and the highest for that month on record. Non-residential building activity showed a contraseasonal rise of almost 6 percent from October as a result of rather substantial gains in commercial and industrial building and smaller increases in construction of religious, private educational, and hospital buildings. The value of new public construction was down 12 percent from October with all types showing declines. School and hospital building activity was down only slightly, however, while the drop registered by highway construction was smaller than usual for November.

Total construction outlays during January-November amounted to 25.3 billion dollars, 22 percent higher than in the same period in 1949. Private expenditures during the first eleven months of 1950 were 28 percent above last year, while public expenditures were up 6 percent.

The number of new nonfarm dwelling units started in November dropped sharply to 85,000, 18 percent below October and 11 percent below November 1949. While new homebuilding normally declines from October to November, the drop recorded this year was greater than usual, largely as a result of severe storms which brought construction activity to a standstill in the northern and eastern sections of the country. During the first eleven months of 1950, about 1,300,000 new units were started, 37 percent above the same period in 1949.

Business expenditures for new plant and equipment during the first quarter of 1951 are expected to exceed those of any previous first quarter on record, according to the latest survey made jointly by the Securities and Exchange Commission and Department of Commerce. The seasonally adjusted total

is expected to be at the highest rate on record. Outlays planned by business for the first quarter of 1951 are estimated at 4.8 billion dollars, 30 percent higher than in the first quarter of 1950. All major industries will contribute to the rise. For the entire year 1951, business is planning to increase its outlays 21 percent over 1950. Allowing for the rise in capital goods costs during 1950, the physical volume of outlays in 1951 is currently anticipated at about 17 percent above 1950. However in view of the tight materials and manpower situation which will result from increasing defense expenditures, there is some question whether this expansion will be fully realized in 1951.

Total capital outlays in 1950 will about equal those in 1949-- 18.1 billion dollars, according to present estimates. During the last half of 1950 expenditures for new plant and equipment are expected to total 10.1 billion, about 12 percent above the last half of 1949 and about equal to the record expenditures during the second half of 1948. The rise in outlays from the second half 1949 represents a sizeable increase in the physical volume of new plant and equipment despite the fact that costs have risen in 1950. Increased outlays by manufacturing industries accounted for most of the estimated rise in capital expenditures from the second half of 1949 to the second half of 1950. About 4.6 billion dollars were invested in new plant and equipment by manufacturing companies during the second half of 1950. This compares with expenditures of 3.5 billion in the last six months of 1949. For the entire year 1950, expenditures by mamufacturing concerns totaled about 8 billion dollars, 10 percent more than in 1949. Except for gas and electric utilities, other industry groups will show slight declines in their 1950 outlays for new plant and equipment.

Total civilian employment in November was estimated at 61.3 million persons, 500,000 below October, but 1.8 million above November a year earlier. The smaller-than-usual drop from October to November was entirely due to a seasonal decline in agricultural employment. Employment in nonagricultural industries rose to a record high for November of 53.7 million, 400,000 greater than in October and only 500,000 below the all-time peak reached in August. Most of the rise in nonfarm employment reflected increases in the number of employees in trade and Government.

The number of unemployed in November was up 300,000 to 2.2 million persons, reflecting the greater decline in employment than in the civilian labor force. Unemployment in November, however, was still substantially below November 1949, when an estimated 3.4 million persons were without work. The unemployment rate, 3.5 percent of the civilian labor force, was well below the 5.4 percent in November 1949. Despite the slight rise in unemployment during the month, the number of long-term unemployed (15 weeks or longer) continued to decline. About 379,000 persons were in this group in November compared with 440,000 in October and 795,000 in November 1949.

INCOME AND RELATED FACTORS

The flow of personal income rose to a new all-time high in October, reaching a seasonally adjusted annual rate of 230.1 billion dollars. The October rate was 1.4 billion above September and 27.7 billion greater than in October 1949. Further expansion in salary and wage receipts and a greater than seasonal rise in agricultural income accounted for most of the September-October increase.

Salary and wage receipts, at an annual rate of 150 billion dollars in October, were also record high. They were up 2.2 billion from September and 19.7 billion from October 1949. The continued increase in the flow of income from this source reflected a further rise in manufacturing and Government pay rolls. Rising employment, an increase in average hours worked per week, and advancing wage rates contributed to the expansion in factory pay rolls during October. During June-October manufacturing pay rolls (not adjusted for seasonal changes) rose about 14 percent with increases in employment accounting for most of the rise. The total increase during that period resulted from an 8.4 percent increase in employment, a 2.2 percent increase in the average length of the work week, a 2.5 percent rise in straight time hourly earnings and about a 0.5 percent gain due to overtime and upgrading.

Sales at department stores in November, after allowance for seasonal factors, were unchanged from October. The Federal Reserve Board's seasonally adjusted index of department store sales was 291 (1935-39=100), 20 percent below July, but 5 percent greater than in November 1949. In late November substantial declines in sales by stores in the Cleveland Reserve District, many parts of which were affected by severe weather, brought total U. S. sales below levels of a year ago. During the first two weeks of December, however, sales volume increased 2 and 9 percent, respectively, from the same weeks in 1949. For the four weeks ending December 16 stores in the country as a whole reported a 3 percent increase in sales from the same period a year ago, compared with a 2 percent increase during the four weeks ending December 2 and a 30 percent increase during the four weeks immediately following the Korean outbreak.

Total sales of retail stores, adjusted for seasonal factors, also continued to recede in November from the peak levels of July and August. The dollar value of sales in November was about 10 percent below July and August, 3 percent below the previous month, but 7 percent greater than in November 1949. The drop from October was due largely to declines in the durable goods groups. Sales at these stores were off 10 percent from October with all groups reporting declines. The largest drops, about 13 percent, were registered by the automotive and housefurnishings groups. Sales at nondurable goods stores, on the other hand, were up about 1-1/2 percent from the preceding month as most groups showed small increases. Sales of food and apparel stores and filling stations were up 2 to 3 percent, while changes in the remaining groups were relatively small.

Total consumer credit during October registered the smallest monthly increase since the outbreak in Korea. At 19,366 million dollars, estimated consumer short-term indebtedness was up only 51 million dollars from September. The September-October increase compares with rises of more than 450 million dollars in each of the preceding 3 months. Outstanding instalment credit at the end of October was estimated at 13,379 million dollars, a rise of only 42 million from September compared with increases of over 300 million during each of the preceding five months. The increase in October was smaller than in the same month of any other postwar year, except 1948, when Regulation W was reimposed as a temporary anti-inflationary measure. Total noninstalment credit was also up slightly in October with an increase in single payment loans offsetting a contraseasonal decline in charge account indebtedness.

COMMODITY PRICES

The general wholesale price level continues to move upward under pressure of record demand, anticipations of restricted supplies of many basic materials for civilian uses, and rising costs. The BLS comprehensive index of wholesale prices rose to a new record high of 171.6 (1926=100) in November, 1.4 percent above the previous record in August 1948, 1.5 percent above October and 9.1 percent above the pre-Korea level of June. Advances in wholesale prices of farm commodities and foods paced the general rise, increasing 3.3 and 1.6 percent, respectively, from October to November. Average prices of both these groups had declined in October after rising steadily since the beginning of the year. The index of wholesale prices of industrial commodities, which had advanced to new postwar peaks in each month since July, continued to do so in November. Average prices of these commodities during November were up 1.2 percent from the previous month and 9.9 percent from June.

Table 1.- Group indexes of wholesale prices, week ended December 19, 1950 with comparisons

(1926=100)

Group	Week ended Dec. 19, 1950	Week ended Nov. 21, 1950	Week ended June 27, 1950	Week ended Dec. 20, 1949	Percentage change week ended December 19 from - Week ended Nov. 21, 1950	Week ended June 27, 1950	Week ended Dec. 20, 1949
All commodities	174.7	171.2	157.4	151.2	+ 2.0	+11.0	+15.5
Farm products	187.7	184.9	165.4	155.3	+ 1.5	+13.5	+20.9
Foods	180.2	177.5	162.4	155.1	+ 1.5	+11.0	+16.2
All other than farm and food	165.4	162.4	149.2	145.6	+ 1.8	+10.9	+13.6
Textile products	169.3	166.6	137.3	138.3	+ 1.6	+23.3	+22.4
Fuel and lighting products	136.0	135.4	132.8	130.7	+ .4	+ 2.4	+ 4.1
Metals and products	186.2	180.4	171.9	168.4	+ 3.2	+ 8.3	+10.6
Building materials	201.8	218.1	203.7	190.6	+ 1.7	+ 8.9	+16.4
Chemicals and allied products	138.5	135.8	114.5	115.0	+ 2.0	+21.0	+20.4

Bureau of Labor Statistics.

In late December, the general level of wholesale prices continued to move upward. The weekly index of prices of all commodities rose 2.0 percent during the 4 weeks ending December 26. All major commodity groups participated in the rise, with advances ranging from 0.4 percent in average prices of fuel and lighting materials to 3.2 percent in prices of metals and products.

The weekly index of wholesale prices of all commodities in late December was 15.5 percent higher than a year earlier as prices of all major groups of commodities showed advances. Substantial gains from a year ago were registered by farm and food products, textiles, building materials, and chemicals, while other major groups showed more moderate gains.

Increases in average prices received for all major groups of farm products except cotton from mid-November to mid-December brought the BAE index of prices received by farmers up to 286 (1910-14=100), 4 percent higher than in November. Average prices of all crops combined rose 3 percent during the month with truck crops and feed grains scoring the largest increases. Average prices of other major groups were up more moderately, while average prices of cotton dropped 2 percent from mid-November. Average prices of all livestock and livestock products were up 4 percent from the previous month with egg and wool prices rising substantially. Prices of all meat animals except hogs, and dairy products rose moderately.

Table 2.- Group indexes of prices received by farmers, December 15, 1950 with comparisons (1910-14=100)

Group	Dec. 15, 1950	Nov. 15, 1950	Dec. 15, 1949	December 15, 1950 percentage change from Nov. 15, 1950	December 15, 1950 percentage change from Dec. 15, 1949
Food grains	233	224	219	+ 4	+ 6
Feed grains and hay	202	192	168	+ 5	+20
Cotton	339	346	223	- 2	+52
Tobacco	436	428	394	+ 2	+11
Oil-bearing crops	366	351	225	+ 4	+63
Fruit	202	194	174	+ 4	+16
Truck crops	211	188	196	+12	+ 8
Other vegetables	149	144	187	+ 3	-20
All crops	258	250	210	+ 3	+23
Meat animals	360	357	280	+ 1	+29
Dairy products	272	267	261	+ 2	+ 4
Poultry and eggs	249	209	194	+19	+28
Wool	448	406	262	+10	+71
Livestock and products	311	299	255	+ 4	+22
Crops and livestock and products	286	276	233	+ 4	+23

In mid-December farmers were receiving prices which averaged 23 percent above December 1949. Prices received for wool, oilseeds, and cotton were up sharply from year-ago levels. Substantial gains were also registered by feed grains, eggs and meat animals, while smaller increases were recorded by the other major commodity groups. Other vegetables was the only group for which prices in mid-December averaged below those of a year earlier.

Further advances in prices of feed, feeder livestock, clothing and homefurnishings resulted in another rise in average prices paid by farmers. The BAE index of prices paid by farmers, including interest, taxes and wage rates, rose to a new record high of 265 (1910-14=100) in mid-December, about 1 percent above November and 8 percent above December 1949. The greater rise in prices received than in prices paid from mid-November to mid-December raised the parity ratio (index of prices received divided by index of prices paid, including interest, taxes and wage rates) to 108, 3 points above November and 14 points above December 1949.

Prices paid by urban consumers of moderate incomes reached another high in November as average prices paid for all groups of goods and services advanced. The BLS index of consumers' prices rose to 175.6 (1935-39=100) in mid-November, compared with the previous high of 174.8 in October, and 170.2 in June.

FINANCING U. S. EXPORTS OF ALL GOODS AND SERVICES

In the third quarter of 1950 marked changes took place in the transactions of the United States with the rest of the world largely as a result of events in Korea. The export surplus on goods and services (excess of exports over imports) shrank from 3.3 billion (annual rate) in the second quarter to under 300 million in the third quarter. The third quarter figure is the lowest since 1937 and compares with the post-war peak of 12.7 billion dollars in the second quarter of 1947. Most of the 3 billion reduction in the export surplus between the two quarters was due to the increase of 2.8 billion (on an annual basis) in the value of imports of goods and services. The value of exports was down only 0.2 billion during the period. Both higher prices and an increase in volume contributed to the greater value of imports between quarters with increased volume accounting for about two-thirds of the total increase in value.

Table 3.- Financing of United States exports of goods and services in specified periods
(Billions of dollars)

Period	U. S. exports of goods and services	Means of financing: U. S. imports of goods and services	Means of financing: Sale of gold and short-and long-term dollar assets by foreign countries (Net)	Means of financing: U. S. Government foreign grants and loans (Net)	Means of financing: Other sources and balancing item 1/ (Net)
	(1)	(2)	(3)	(4)	(5)
1935-39 annual average	4.0	3.4	1.1	2/(-) 0.1	(-) 0.4
1946	14.7	7.0	1.9	5.0	0.8
1947	19.8	8.3	4.5	5.8	1.2
1948	17.1	10.4	0.8	5.1	0.8
1949					
1st qtr. (ann. rate)	17.3	10.2	0	6.7	0.4
2nd qtr. (ann. rate)	17.8	9.7	1.5	6.6	0
3rd qtr. (ann. rate)	14.7	9.4	0.3	5.9	(-) 0.9
4th qtr. (ann. rate)	14.0	9.6	(-) 1.8	4.6	1.6
Total	16.0	9.7	0	3/ 5.9	0.4
1950					
1st qtr. (ann. rate)	13.1	10.3	(-) 1.8	4.4	0.2
2nd qtr. (ann. rate)	14.1	10.8	(-) 2.7	4.7	1.3
3rd qtr. (ann. rate)	13.9	13.6	(-) 6.3	3.7	2.9

1/ Includes loans of U. S. dollars by the International Bank and by the International Monetary Fund. In 1948 these loans totaled 379 million dollars. In 1949 they totaled 137 million dollars. Private remittances and investments abroad are also included except in the 1935-39 average. 2/ Includes private loans and remittances to foreigners which in other periods are in column 5. 3/ Includes 4.1 in ERP grants and loans and 1.1 in grants for civilian supplies in occupied areas. The remainder of 0.7 billion is accounted for by other U. S. Government foreign grants and loans.

The international financial position of foreign countries improved markedly during the third quarter despite the relatively high level of U. S. exports of goods and services and reduced aid in the form of U. S. Government loans and grants. This improvement largely reflected a sharp rise in U. S. imports of goods and services to a new high, and an increase in the outflow of U. S. private capital. From all their transactions with the U. S. in the third quarter foreign countries accumulated gold and dollar reserves at an annual rate of 6.3 billion dollars. During the year ended September 30, foreign countries regained about 40 percent of the gold and dollar reserves which they had liquidated earlier in the postwar period.

ECA AID TO THE UNITED KINGDOM

As a result of the substantial improvement in the economic situation of th United Kingdom, the Economic Cooperation Administration announced on December 13 that ECA aid to the United Kingdom would be suspended beginning January 1, 1951. This action is not expected to affect U. S. exports of agricultural commodities significantly. Such exports to the United Kingdom in the fiscal year ending June 30, 1950 accounted for only 9 percent of the total 3 billion dollars of agricultural commodities exported during that period. Although most of the agricultural exports to the United Kingdom were financed under the ECA program, the marked improvement in the United Kingdom's financial position and her continued need for cotton and linters, bread grains, and unmanufactured tobacco indicate that any reduction due to the suspension of the program is likely to be slight.

FARM INCOME

November Receipts

Farmers' cash receipts from marketings in November are now estimated at 3.3 billion dollars, 8 percent below the revised estimate for October but 14 percent more than receipts in November 1949. Total marketings in November were 13 percent less than in October and 5 percent below November 1949. But prices averaged higher than in October this year or in November 1949.

Cash receipts from livestock and products in November were 1.6 billion dollars, 4 percent more than in October and 18 percent above November 1949. Receipts from meat animals and from poultry and eggs were well above October and a year ago. Dairy receipts were down seasonally and about the same as a year earlier.

Crop receipts dropped sharply in November because of the seasonal decline in marketings, but they were higher than a year ago as a result of higher prices.

January-November Receipts

Receipts for the first 11 months of 1950 are now estimated at 25.3 billion dollars, only 1 percent below receipts in the corresponding period of 1949. Marketings were 5 percent below 1949 but prices averaged 1 percent higher. Receipts from livestock and products of 14.3 billion dollars were slightly greater than in 1949 because marketings were up a little. Although receipts from meat animals were above 1949 because of higher prices, receipts from poultry and eggs were below a year ago because of lower prices for eggs. Dairy receipts were nearly the same as a year earlier.

Total crop receipts in the 11-month period were 11.0 billion dollars, 4 percent less than in the same period in 1949. Prices averaged slightly higher than a year ago, but marketings were substantially lower. Receipts from wheat, corn, cotton, and vegetables were down from a year earlier, but receipts were up for oil-bearing crops and tobacco.

LIVESTOCK AND MEAT

Rising prices for most classes of meat animals and most meats are in prospect for this winter. A decrease in slaughter supplies of livestock as the peak marketing season passes, together with maintained or increasing demand due to defense activities, underlie this outlook.

Meat production was very large in late 1950 as the number and weight of cattle slaughter were large for that period while hog slaughter reached its peak in December. Output of meat under Federal inspection for December may have been a postwar high. Notwithstanding the large slaughter, prices of meat animals and meats generally strengthened. Prices of steers and lambs increased and prices of hogs advanced from their seasonal low reached in late November. Over-all average retail prices of meat near the year's end were up about 8 percent from a year earlier. They about equaled the records for the season set two years earlier, but were below the all-time peaks of the summer of 1948.

The recent increases in prices of slaughter steers and lambs carried them above the minimum ceiling levels specified in the Defense Production Act of 1950.

The seasonal reduction in meat production in the next month or two will be moderate, and total production in January-March may be slightly larger than a year earlier. Meat consumption per civilian consumer for January-March may be almost as large as in the same 1950 period.

Slaughter of fed cattle appears likely to hold up well early in 1951 because a substantial number of cattle about ready for market were carried over on January 1. Hog slaughter will decrease seasonally in January and February. Totals for those months are likely to show only a little gain over the same 1950 months, because the late-spring farrowings which are the source of slaughter then were only a little larger last year than in the previous year. Hog slaughter will increase again beginning sometime in March.

The 1950 fall pig crop was reported at 40.7 million head, 9 percent more than the 1949 fall crop. Farmers' intentions on December 1 were for 4 percent more sows to farrow in the spring of 1951 than last spring. If litters are of an average size with an allowance for trend, this number of sows would produce about 63.5 million pigs, 6 percent more than the 60.0 million saved from the 1950 spring crop.

The volume of cattle feeding this winter is expected to be nearly as large as last winter. However, because placements on feed during the early fall were less than a year earlier and because an even larger percentage of all cattle on feed this winter than last are young stock, the prospects are for slaughter supplies of fed cattle to decrease in late winter and to be little if any larger this spring than last spring. The increase in total 1951 cattle slaughter over 1950 will be confined almost entirely to the second half of the year.

Fewer lambs will be fed this winter than last. The reduction is due to the small lamb crop and increased numbers held back for breeding.

DAIRY PRODUCTS

Rising consumer incomes are having an impact on utilization and prices for milk and dairy products. Consumption of fluid milk has continued a little larger than a year earlier and prices for such milk have increased more than seasonally since early last summer. With milk production running a little under level of a year earlier, and fluid consumption greater, less milk has been available for manufacturing. Butter production recently has been nearly 20 percent below that of a year earlier; cheese production has been about 10 percent smaller. In contrast, production of evaporated milk in October was 20 percent greater than a year earlier. Use of milk in fluid outlets will continue to expand with expected further rises in consumer incomes. The supply of milk for manufacturing will continue smaller than in the recent past, since farm milk production in 1951 is not likely to exceed that in 1950.

Storage stocks of manufactured dairy products, private and Government combined, were built up to record levels by the end of the past summer. But with recent declines in output of butter and cheese, withdrawals from both private and Government holdings have increased sharply. During November, the out-of-storage movement (milk equivalent basis) was the largest on record. Withdrawals continued large into December. By late December, unsold government stocks of cheese had been completely disposed of and holdings of butter were negligible.

Average prices for fluid milk are likely to decline less than seasonally early in 1951 and will be higher than a year earlier. Prices for manufacturing milk have recently begun to increase. Wholesale prices for the different manufactured dairy products in mid-December were at about the same levels as in early 1949 but retail prices were a little lower. For fluid milk, retail prices were about the same as in early 1949.

The average price received by farmers for milk at wholesale in December was $4.45 per 100 pounds, compared to $4.21 a year earlier. The price of butterfat was 64.8 cents per pound in December, compared to 63.3 cents a year earlier. Costs of dairy rations have increased more than dairy prices in the past year, giving lower dairy product-feed price ratios. But, partly because of generally colder weather, the rate of concentrate feeding on December 1 was the same as a year earlier.

Total milk production in November was about 1 percent less than a year earlier. For the first 11 months 112.0 billion pounds were produced, an increase of 1.5 billion pounds over a year earlier. Milk production per cow on December 1 in herds kept by crop correspondents was unchanged from a year earlier.

POULTRY AND EGGS

Egg prices continued seasonally high through November and into early December. In mid-December there was a price break which reduced egg prices as much as 16 cents per dozen on top grades in New York City in one day. But even after that break, prices for all grades in most parts of the country remained substantially higher than either a year or a month earlier. In mid-December, the average price paid to farmers was 57.7 cents, compared with 45.6 cents in November, and 40.5 cents in December 1949.

Reduced supplies largely explain the high prices of November and early December. Storage stocks of shell eggs were virtually exhausted early in November. November production on farms fell below the October output. These 2 factors, both of which served to reduce November supplies compared with the supplies available a month earlier, were important considerations in the price rise. Furthermore, their influences were greater at the end of November than at the beginning since egg production on farms in November was almost 6 percent above a year earlier, while the December 1 production was almost 4 percent lower than a year earlier.

Supplies did not permit any significant increase in November per capita consumption as compared with a year earlier. In the 3 months preceding November, however, there had been gains of about 6 or 7 percent in per capita egg consumption as compared with a year earlier.

Farm prices for almost all kinds of poultry in December were almost at the levels of a year ago. Turkeys, selling this year without benefit of price support, averaged 34.3 cents per pound (live) in mid-December, against 35.3 last year; chickens averaged 22.3 cents per pound, the same as in December 1949. Broiler prices in the specialized-producing areas were particularly low, being at a level that had in the past resulted in a curtailment of chick placements.

Poultry meat consumption in recent months has been high. Storage supplies are near the usual seasonal peaks. Large quantities of both turkeys and broilers were marketed without resulting in storage holdings much different from last year.

FATS, OILS, AND OILSEEDS

Continued strong demand in December for tallow, grease, and lard brought increases of 15 to 20 percent in prices of these fats, despite a high level of output. Soapmakers continued to buy lard in the first half of the month. In the latter half of the month, prices for lard were about 1-1/2 cents per pound above tallow prices. Prices of domestic edible vegetable oils also advanced in December, with prices of soybean oil rising the most. The price of tung oil increased sharply following the announcement by Communist China of an embargo on all exports to the United States. The index number of wholesale prices of 26 major fats and oils (excluding butter) in December was about 220 (1935-39=100) compared with 199 in November, 185 in October and 140 in December 1949.

The December crop report indicates that the 1950 soybean crop will total 287 million bushels, 24 percent more than a year earlier. Output of cottonseed (based upon the 1945-49 ratio between production of cottonseed and cotton lint) is estimated at 4.0 million tons, 39 percent less than a year earlier. Production of peanuts is estimated at 2,038 million pounds, 9 percent more than a year earlier. Production of flaxseed is estimated at 39.2 million bushels, 11 percent less than the year before.

Production of fats and oils, including the oil equivalent of domestic oilseeds exported, in the year beginning October 1950 probably will be slightly larger than the record 12 billion pounds a year earlier. Output of lard, tallow, and greases probably will increase moderately. Production of edible vegetable oils may be nearly as large in the current crop year as a year earlier. Output of butter is expected to decline. A further rise in production of lard, tallow and grease is expected in 1951-52, provided growing conditions for next year's crop are normal or better.

Imports of fats, oils, and oilseeds in October 1950 (the latest month reported) totaled 153 million pounds in terms of oil, compared with 120 million pounds a year earlier. Imports of coconut oil and the oil equivalent of copra were greater than in any other month this year. Imports of tung oil were also substantial.

Exports of fats, oils, and the oil equivalent of oilseeds in October totaled 172 million pounds, 41 million more than a year earlier. Exports of inedible tallow and greases rose to a new high of 65 million pounds. Exports of these fats in June-October averaged over 59 million pounds monthly--an annual rate of about 700 million pounds. The total in 1949, the peak year to date, was 427 million pounds.

CORN AND OTHER FEEDS

Market prices of feed grains advanced from November to December, with No. 3 Yellow corn at Chicago reaching the highest level in over 2 years. Corn prices have been influenced this fall by a strong demand for feeding and industrial use, which is expected to continue in 1951. Moreover, corn marketings by farmers have been smaller this season than in the past two

years. Average prices received by farmers for oats and barley have been above the support level in recent months. Corn and sorghum grain prices in mid-December were close to the support levels and some further advances are expected later in the marketing year. While prices of most feeds were higher in December than a year earlier, the greatest increases have been for corn, oats, hominy feed, and cottonseed meal. As compared with other recent years, prices of sorghum grains, soybean meal, gluten feed, and brewers' and distillers' dried grains are all comparatively low this winter.

The milk-feed price ratio has become a little more favorable to dairymen since last summer, but it remained a little below the long-time average for December. The egg-feed price ratio turned much more favorable to poultry producers in December and was a little above average for that month. The hog-corn price ratio, on the other hand, dropped to about the long-time average in November and December for the first time since the middle of 1948, reflecting the greater decline this fall in prices of hogs than in corn.

The total supply of all feed concentrates for the 1950-51 feeding season is estimated at about 183 million tons, within 1 percent of the record supply last year. The corn supply, estimated at 3,990 million bushels, is 5 percent smaller than last year, while supplies of oats, barley, and sorghum grains are all larger. Utilization of corn is expected to continue heavy in 1950-51, and the carry-over next October 1 probably will be below 600 million bushels. Another big supply of protein feeds is in prospect, principally as a result of the prospective record production of soybean cake and meal.

WHEAT

The price of No. 2 Hard Winter wheat at Kansas City on December 29 was $2.37, or 12 cents above the loan. This represents a substantial increase compared with the low point reached on October 17 of $2.06, 19 cents under the loan. On December 29 the price of wheat at Minneapolis was 10 cents above the loan, that at St. Louis 17 cents above, while the price at Portland was one cent above the loan.

Through November 30 loan and purchase agreement wheat from the 1950 crop totaled 165 million bushels against 295 million bushels from the 1949 crop on the same date a year earlier. In addition, 5 million bushels of 1949 crop wheat had been resealed by November 30. On December 4, the CCC reported ownership of about 263 million bushels. Exports continue to be made out of CCC stocks so that inventories will gradually be reduced before taking deliveries on 1950-crop loan wheat after April 30.

July-November exports of wheat, flour and macaroni totaled the equivalent of about 90 million bushels, compared with 144 million bushels a year earlier. Cumulative sales for the second year under the International Wheat Agreement to December 19 total 103 million bushels, which compares with 29 million bushels a year earlier. Total quotas for the 1950-51 season amount to 232 million bushels.

Winter wheat acreage is estimated at 56.1 million acres, an increase of 6 percent from the 52.9 million acres for the 1950 crop, and 17 percent more than the 1939-48 average of 48.0 million seeded acres. Winter wheat production of 899 million bushels--about 20 percent above the 751 million bushels harvested in 1950--was forecast by the Crop Reporting Board on the basis of reported condition on December 1 and other factors affecting yields. If a spring wheat crop about equal to the 1939-48 average of 272 million bushels are produced, a total crop of about 1,170 million bushels would be indicated. Conditions in the commercial Winter Wheat Belt of the middle and southern sections of the western Great Plains, however, continue very dry, and unless moisture is received soon, crop prospects will deteriorate from the December 1 level. A general snow from the Mississippi River to the Pacific States is needed to protect winter wheat from severe freezes and to provide moisture in the central and southern Great Plains.

Wheat production for 1950, according to the final estimate for the year, was 1,027 million bushels, compared with the record of 1,367 million in 1947 and the 1939-48 average of 1,031 million bushels. The final estimate for this year is 17 million bushels more than was estimated in November. Here is how the supply-distribution picture for 1950-51 looks now: Supplies of domestic wheat in 1950-51 are estimated at 1,447 million bushels, including the July 1 carry-over of old wheat of 420 million bushels. This supply could be augumented later in the marketing season by low quality Canadian wheat for feeding purposes. A large portion of the 1950 crop in Canada is frost damaged. As a result, significant quantities of feeding-grade wheat will be available if needed for import in the marketing season. Domestic wheat disappearance may total about 750 million bushels, leaving about 700 million bushels available for export in 1950-51 and carry-over July 1, 1951. If exports, shipments and military procurement reach 260 million bushels, the carry-over July 1, 1951 would be about 440 million bushels. This compares with the 1932-41 average of 235 million bushels and the record high of 631 million in 1942.

FRUIT

Prices that growers will receive for apples and pears in January and February 1951 probably will average near those of the same two months in 1950. But prices for most citrus fruits are expected to average lower, mainly because of increased production.

Although the 1950 commercial apple crop was about a tenth smaller than the large 1949 crop, a larger proportion was of winter varieties. Economic abandonment was less, and harvesting continued into late fall with the result that cold-storage stocks on November 30, 1950 were about one-sixth larger than stocks a year earlier and considerably above the 1945-49 average for November 30. With the prospect that stocks at the first of the year also will be large for that time of year, prices may rise only slightly this winter. Cold-storage stocks of pears, mostly winter varieties, were slightly larger on November 30, 1950, than stocks a year earlier, but considerably under the 5-year average. With demand strong for the smaller 1950-pear crop, grower prices were relatively high last fall, and only small changes in price may occur during this winter.

Grower prices for oranges and grapefruit this winter will tend to be sustained at the December levels as processing gets into full swing after the first of the year. Further support to prices will come from the Government export-payment programs announced recently for these two fruits. With the new orange crop slightly larger than the 1949-50 crop and the new grapefruit crop a third larger, it does not seem likely that prices will rise much this winter. Prices for grapefruit are expected to average considerably under the prices of early 1950. But prices for oranges may average only slightly lower.

Total packers' and wholsale distributors' stocks of the principal canned fruits were nearly as large on November 1, 1950 as a year earlier. Stocks of peaches were much smaller than on November 1, 1949, but stocks of applesauce, sour cherries, and pineapple were considerably larger. Stocks of canned citrus juices on November 1, 1950, the start of the new pack season, were more than twice the stocks of a year earlier, while stocks of canned pineapple juice were about a third larger. Total cold-storage holdings of frozen fruits and fruit juices on November 30, 1950, were about 46 percent larger than stocks a year earlier.

POTATOES AND SWEETPOTATOES

The large surplus of potatoes produced this year is likely to keep the average of prices received by farmers for the 1950 crop of potatoes below the equivalent of 60 percent of parity for the season, in spite of heavy Government purchases of potatoes from those producers who are eligible for support. The preliminary estimate of the season average price is 97.9 cents per bushel. By mid-December, more than 31 million bushels of 1950 crop potatoes had been bought for price support and withdrawn from commercial supplies. By the same date last year, less than half as manv 1949 crop potatoes had been bought under the support program.

While support purchases have been and will have to continue to be, on a larger scale for this year's crop than for last year's, commercial movement of the 1950 crop has been considerably slower than movement a year earlier. Commercial shipments by rail and boat through mid-December this season total about one-tenth fewer than corresponding shipments in the 1949 season. Part of the difference in rail movement has been offset by increased truck movement.

The surplus of potatoes this year is largely the result of the record-high yield, 22 bushels per acre higher than the previous record high of 216 bushels in 1948. This yield more than offset the 4 percent reduction in acreage this year compared to last.

Although the 1950 sweetpotato crop, estimated at not quite 59.5 million bushels, is 4 percent below average, it is 10 percent larger than the 1949 crop and is bringing much lower prices. The lower prices are due in part to the larger crop this year.

COMMERCIAL TRUCK CROPS

For Fresh Market

Anticipated strong consumer demand and somewhat smaller prospective supplies indicate the probability of moderately higher prices this winter than last for many commercial truck crops produced for fresh market. Early estimates covering 13 of the 18 winter crops indicate a total tonnage 9 percent less than last winter, but 12 percent more than the 10-year average. Prospective production is down 7 to 24 percent from last winter for lima beans, beets, cabbage, carrots, celery and kale.

On the other hand, the winter crops of artichokes, lettuce, green peas and spinach are expected to be from 5 to 39 percent larger than last winter. Little change from last winter is expected for cauliflower, escarole and shallots. In addition to the above currently harvested crops, there will be cabbage, carrots and onions available out of storage. The supply of these probably will be larger than a year earlier, judging from the 1950 production of these crops in areas which normally store substantial quantities.

For Processing

Total demand for vegetables to be commercially canned and frozen will be substantially stronger in 1951 than in 1950, as processors attempt to sign up enough acreage with farmers to meet the expanded military requirements in addition to the strong civilian demand. Whether or not supplies of some canned vegetable items will be adequate to meet all demands in 1951 will depend to some extent upon the rapidity with which the military requirements are met, and the degree of substitution of abundant items for scarce items.

COTTON

The average price of cotton at 10 spot markets dropped slightly from its high of 43.93 cents on November 22 and recovered to about 43.20 cents by the end of December. The average price received by farmers on December 15 was 40.36 cents per pound. This price was 125 percent of the parity price of 32.36 cents and compares with 26.47 cents per pound received by farmers on December 15, 1949.

The cotton crop was estimated on December 1 to total 9,884,000 bales of 500 pound gross weight. This was a decrease of 61,000 bales from the November 1 estimate.

On November 9, the Secretary of Agriculture announced an increase in cotton export allocations of 1,350,000 bales. Division of 750,000 bales of this increase among individual countries was announced on November 22. The remaining 600,000 bales will be allocated to individual countries in the near future, and bring total allocations to 3,496,000 bales.

Export allocations for cotton waste were announced on November 30. An open-end allocation was made for hard waste and a total allocation of 15.0 million pounds was made for soft waste. The allocations were not divided among countries.

Cotton consumption continued at a high level in November. Mills consumed 1,008,872 running bales and spindles operated at 143 percent of capacity (100 percent of capacity based on eighty hour week). During November 1949, 772,216 bales were consumed and spindles operated at 125 percent of capacity. Total supply (carry-over of 6.8 million bales, plus imports of about 0.2 million bales, plus production) is estimated at about 16.8 million running bales. If domestic consumption is between 10.0 and 10.5 million bales, the total quantity available for export and carry-over next August would be between 6.3 and 6.8 million bales.

The average staple length of the crop this year ginned through November 30 was higher than for any other comparable period on record, 32.8 thirty-seconds of an inch. The grade index for the crop was higher than for the same period last year--96.2 against 95.2 (Middling White equals 100).

The August 1 carry-over had a higher grade index than any carry-over since 1941. The grade index was 96.1. The average staple length of 33.0 thirty-seconds of an inch was longer than any of the past 11 years except 1949, which was 33.3 thirty-seconds of an inch.

Cotton linters prices set new highs in early December. On December 5 the price of Grade 2 linters at Memphis ranged from 25 to 27 cents per pound. Grade 4 linters ranged from 19 to 21 cents per pound on the same date. The previous high prior to this marketing year was set in late 1946 when Grade 2 stood at 15.62 cents per pound and Grade 4 at 13.25 cents.

Linters are in short supply this year and are under strict allocations. Production is expected to total about 1.2 million bales. With a carry-over of about 450,000 bales and imports of about 150,000 bales, total supply will be about 1.8 million bales. If consumption for the entire year is maintained at the August through October rate, the United States would consume about 1,550,000 bales.

WOOL

World demand for wool continues strong. Prices in all foreign markets have advanced slightly since mid-November.

Prices of most foreign and domestic wools at Boston at mid-December were slightly higher than a month earlier. Territory fine staple wool was quoted at $2.65 per pound, clean basis, at mid-December, compared with $2.55 at mid-November and $1.56 in December 1949. Corresponding prices for Australian 64's, 70's good topmaking wool in bond at Boston were $2.60, $2.50, and $1.38.

Prices received by domestic growers for shorn wool averaged 79.8 cents per pound, grease basis, in mid-December, a new record high. The average price received in December 1949 was 48.0 cents.

Consumption of apparel wool by domestic woolen and worsted mills averaged 9.5 million pounds, per week,scoured basis during October.Consumption during January-October amounted to 361 million pounds, compared with 275 million pounds during the same period in 1949. In January-October 1950 consumption of carpet wool totaled 163 million pounds, 33 million pounds more than during the same months of 1949.

Total imports for consumption of dutiable (apparel) wool for the first 9 months of 1950 were 193 million pounds, compared with 101 million pounds in 1949. During September, however, imports declined sharply to only 22.0 million pounds, clean basis, compared with 28.4 million pounds in August. In January-September 1950 imports for consumption of duty-free (carpet) wools were more than double those of 1949, totaling 183 million pounds.

TOBACCO

Burley tobacco, was in fairly strong demand during the pre-holiday sales period. Approximately 55 percent of the crop had been sold by December 15 at an average price of 48.2 cents per pound. This was 4 percent above the 46.4 cents per pound average for the corresponding period of the 1949 season. The support level for the 1950 Burley crop is 45.7 cents per pound compared with the 40.3-cent level for the 1949 crop. Growers have placed about 12 percent of deliveries, thus far, under Government loan. The 1951 allotted acreage will total about 4 percent more than in 1950.

The 1950 cigarette consumption in this country is estimated at 363 billion, a new record and about 3 percent higher than in 1949 and twice as large as in 1940. A further gain seems likely during 1951.

The average price of auction sales of Virginia fire-cured tobacco (type 21) through December 15 was 35.2 cents per pound--about 6 percent higher than in the preholiday period last year. The Kentucky-Tennessee fire-cured types begin marketing in early January. The principal domestic use of fire-cured is in the manufacture of snuff, output of which in 1950 is estimated at about 41 million pounds--practically the same as in 1949.

The dark air-cured tobacco auctions for types 35 and 36 opened December 6 and 11, respectively -- a little later than in the 1949 season. Prices for One Sucker (type 35) through December 21 averaged 23.3 cents per pound, and for Green River (type 36), 23.4 cents per pound. These averages are below those in December last year because of the higher proportions of inferior quality in the offerings. The 1950 crops of these types were adversely affected by excessive wet weather. Dark air-cured tobacco is used mostly in chewing tobacco, output of which is estimated at a little less than the 90 million pound output in 1949.

The 1950 crop support levels for fire-cured and dark air-cured tobacco computed at 75 and 66-2/3 percent of the Burley loan level are both approximately one-eighth higher than for the 1949 season.

Marketings of some of the cigar tobacco types have been reported, but price information is, as yet, meager. The 1950 price supports for cigar tobacco types were announced at 86 percent of parity. The 1950 cigar tobacco price supports (except for type 46) exceed those of 1949 as the result of increases in the parity index and the base period prices.

The 1950 crop price support for Maryland was announced at 48.6 cents per pound--16 percent higher than for the 1949 crop. The support level is 86 percent of the new parity as computed in accordance with the 1949 agricultural legislation. The 1950 crop of Maryland will begin marketings in the Spring of 1951.

On December 20, cigar filler and binder growers as well as Maryland tobacco growers voted on marketing quotas applicable to their 1951 crops. Growers of cigar filler and binder (types 42-44 and 51-55 combined) voted by the required two-thirds' majority in favor of quotas on their 1951 crops and so will have the mandatory support level of 90 percent of parity for next year's crops of these types. Growers of Maryland (type 32) and Pennsylvania filler (type 41) rejected marketing quotas applicable to their 1951 crops and no price support can be made available for crops of these types grown in 1951.

Exports of unmanufactured tobacco from the United States during January-October 1950 totaled 378 million pounds (export weight) -- 8 percent less than in the same period of 1949. During the first 4 months of the July 1950-June 1951 marketing year for flue-cured, exports of this class were 178 million pounds compared with 190 million in the same period of 1949-50.

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